

1 Q He didn't ask you about insurance---

2 A We didn't discuss those things.

3 Q Dr. Gray, you're not letting me finish my question.

4 MR. PAYNE: Let him finish, please.

5 Q He didn't ask you about insurance in any way, shape
6 or form since the fire?

7 A Not that I remember.

8 Q He didn't ask you how much coverage you had on the
9 building?

10 A No.

11 Q He didn't ask you how much coverage you had in
12 general?

13 A No. I didn't know at that point any way so.

14 Q Dr. Gray, do you have any business cards?

15 A No. Oh yeah. I might.

16 Q Do you have any other business cards for any other
17 business you're involved in?

18 A No.

19 Q After you talked to Mr. Sloggart that one time on
20 the phone, have you talked to him any other time about anything
21 related to Richmond Hill Inn?

22 A Yes. I took the quitclaim deeds to him in February
23 trying to get him to sign it.

24 Q You took what to him in February?

25 A Quitclaim deeds that Albert Sneed had prepared for

1 him to sign. And I hand delivered them to him, my wife went
2 along with his wife and we sat and talked for 15 or 20 minutes.

3 Q Was this at his residence?

4 A At his residence, yeah.

5 Q Where are the quitclaim deeds? I don't think I've
6 seen a copy of those.

7 A I don't have them. Those are the ones he wouldn't
8 sign.

9 Q Who prepared them for you?

10 A Albert Sneed prepared them. But he wouldn't sign
11 it.

12 Q I understand. But they were prepared?

13 A As far as I -- yes.

14 Q Okay. Who were the quitclaim deeds in favor of?

15 A From the Gateway Park Properties back to The
16 Hammocks for the land. I was trying to get him to sign that
17 prior to our foreclosure and bankruptcy.

18 Q Dr. Gray, on the document that's Exhibit 14, does
19 your signature appear on that document?

20 (Thereupon, Exhibit Number 14 is marked for
21 identification.)

22 A No.

23 Q May I see it, sir? Do your initials appear on the
24 document?

25 A I don't think so. But I think there might have been

1 but supposedly. It's not the way I do initials.

2 Q Sir, I'm going to circle what I believe are your
3 initials on Exhibit 14.

4 A I know I said that. And I said I don't know if
5 they're my initials because that's not the way I usually do my
6 initials.

7 Q So those could be your initials?

8 A It could be. Yes.

9 Q Dr. Gray, I'm showing you Exhibit 15, is your
10 signature on that document?

11 (Thereupon, Exhibit Number 15 is marked for
12 identification.)

13 A Right. Yes, it is.

14 MR. PAYNE: Do you need a couple of minutes, Mike?

15 MR. NELSON: I'm set. I'm ready.

16 Q Okay. Dr. Gray, I'm showing what's been marked as
17 Exhibit 7. Do you recognize that document?

18 (Thereupon, Exhibit Number 7 is marked for
19 identification.)

20 A Yes. This is prepared by David Worley's office for
21 us.

22 Q This is prepared by David Worley?

23 A Office.

24 Q Was this the first financial statement prepared
25 regarding The Hammocks' ownership of the Richmond Hill Inn after

1 it was purchased?

2 A No. They did an annual statement every year.

3 Q So David did an annual statement in 2006?

4 A No. This is what he prepared. The others were
5 prepared by people at our inn.

6 Q Okay. Is there a year end statement for December
7 31st, 2006?

8 A Yes.

9 Q Do you know if you produced that?

10 A I think so. But this is one that we had done---

11 MR. PAYNE: Dr. Gray, excuse me -- let's go off the
12 record a second.

13 (Discussion off the record.)

14 Q Dr. Gray, was there a year end statement done --
15 financial statement done for the Richmond Hill Inn Hammocks for
16 2006?

17 A Yes.

18 Q Do you know where that is? Who has possession of
19 it?

20 A It's on the computer I know.

21 Q Okay. Was there a financial statement for year end
22 2008?

23 A Yes.

24 Q Where is that document?

25 A I know it's on the computer. I'm sure I gave them

1 to my lawyer.

2 Q Meaning Mr. Payne?

3 A Yes.

4 Q Dr. Gray, were you aware that a gentleman named Al
5 Welford tried to contact you on the day of the fire?

6 A No.

7 Q Were you aware that somebody representing the
8 insurance company tried to contact you on the day of the fire?

9 A No.

10 Q Okay. Nobody from your staff told you that they
11 wanted to speak to you?

12 A No.

13 Q This is while you were in the pavilion?

14 A What do you mean?

15 Q Well, the adjuster visited the pavilion and asked a
16 member of your staff to speak to you on two occasions that day.
17 One time he was told you were sleeping and the other time he was
18 told you were unavailable. Were you aware that somebody asked
19 to speak to you on that day?

20 A No.

21 Q Okay. Dr. Gray, the layoffs that took place because
22 of the financial problems the inn was having, how many people
23 were laid off?

24 A I don't know. We laid off --- normally we laid off
25 people in January. We laid off a bunch of people in the first

1 of December instead of January. But I don't know how many there
2 were.

3 Q Dr. Gray, yesterday we talked about layoffs that you
4 did because you were restructuring and you were streamlining?

5 A Right.

6 Q And then you said there were layoffs later on
7 because of the financial problems the inn was having, remember
8 that?

9 A Right.

10 Q How many people were laid off---

11 A I don't know.

12 Q How many people were laid off as a result of the
13 second reason, the financial problems?

14 A Which year?

15 Q Any year, sir?

16 A In '06 we laid off seven or eight people.

17 Q When was that?

18 A It was over a period of six months.

19 Q Beginning when?

20 A In July of '06.

21 Q So then ending by the year end '06?

22 A Yes.

23 Q That was because the inn was struggling financially?

24 A No. It was just because they were getting paid too
25 much.

1 Q Sir, I asked you how many people have been laid off
2 because the inn has been struggling financially and you said
3 Susie laid off seven or eight. So I'm asking you again how many
4 people were laid off because the inn was struggling financially?

5 A You have to be very specific on the date.

6 Q I'm telling you all dates since the time the inn was
7 started or was taken over by The Hammocks till the time of the
8 fire how many people were laid off because the inn was
9 struggling?

10 A That's really hard to explain. But we laid people
11 off temporarily in the winter and then hired them back in the
12 spring. That's normal procedure. There were -- in '06 there
13 were about eight permanent layoffs. And then in '07, we did the
14 normal routine of laying people off in the winter and I don't
15 know how many. But the garden people were laid off after
16 October usually for three months and then brought back. Then in
17 -- at the end of October of '08 we laid off people early. I
18 don't know how many instead of waiting till the end of December.
19 And then in January of '09 we laid off some people.

20 Q How many?

21 A I don't know. I have no idea.

22 Q At the height of its operation--- Strike that.
23 At the time The Hammocks acquired Richmond Hill Inn, how many em
24 ployees full-time, part-time did you---

25 A I don't know.

1 Q Dr. Gray, let me finish. At the time The Hammocks
2 purchased the Richmond Hill Inn, how many employees did the
3 Richmond Hill Inn employ?

4 A I do not know.

5 Q At the time of the fire, how many employees did the
6 Richmond Hill Inn employ?

7 A I don't know how many we had.

8 Q Dr. Gray, did you have difficulty selling the
9 nursing home in Charlotte?

10 A Not really.

11 Q Did you have any problems with zoning issues in the
12 township?

13 A No.

14 Q The city?

15 A I had it all zoned before we built it.

16 Q Did you have any problems with inspections or
17 defections in the way the building was constructed?

18 A No. But these -- the state changed the law while we
19 were building and then we had to sue the state to allow us
20 extension on our building time so we could finish the building
21 in the time that it needed to be finished.

22 Q Who sued the state?

23 A I did. The partnership.

24 Q You're talking about Lake Norman Pavilion?

25 A The Village of Lake Norman.

1 Q What was the outcome of that suit?

2 A They gave us an extension so we got the building
3 built and sold.

4 Q What was the extension for?

5 A The time frame to get the building completed.

6 Q Is that the only reason you had difficulty selling
7 the nursing home?

8 A Right. We had to get that settled before we could
9 sell it.

10 Q How long did that problem cause a delay?

11 A A year or more.

12 Q Why was Sarah Hodgen laid off?

13 A What was that?

14 Q Why was Sarah Hodgen laid off?

15 A Because we were trying to cut back on financing or
16 expenses.

17 Q Prior to the fire, when is the last time that
18 security, formal security program was in place at the Richmond
19 Hill Inn?

20 A I believe -- I don't know for sure. But I believe
21 through December of '08.

22 Q At one point you had two gentlemen that were in
23 charge of security Gary and Larry?

24 A Right.

25 Q Do you remember them?

1 A Right.

2 Q Isn't it true that you laid them off in the summer
3 of '08?

4 A No. I think they continued to work there as far as
5 I know.

6 Q But were they only working weekends?

7 A I don't know.

8 Q So what I'm asking is when is the last time you had
9 people who were employed to be security who worked seven days a
10 week?

11 A I believe in December of '08.

12 Q Seven days a week?

13 A As far as I know.

14 Q What was the condition of the furniture in the inn
15 or the mansion? Was any of it showing signs of wear and tear?

16 A We replaced some of it, most of it was in very good
17 shape.

18 Q Sir, was any of the furniture showing signs of wear
19 and tear?

20 A Not that I'm aware of.

21 Q Sir, if any of your employees described you as being
22 an alcoholic would that be accurate?

23 A No, it would not.

24 Q Have you ever appeared visibly intoxicated in front
25 of your employees?

1 A Yes.

2 Q Have you ever appeared visibly intoxicated in front
3 of your guests?

4 A No.

5 Q Have you ever passed out because of alcohol while on
6 the inn premise?

7 A No.

8 Q Dr. Gray, is your cell phone number 704-663-9988?

9 A Yes, it is.

10 Q Is that the only cell phone you have?

11 A It is at this point.

12 Q Did you have a cell phone with a different number---

13 A I had a cell phone with---

14 Q Dr. Gray, let me finish my question. Did you have a
15 cell phone with a different telephone number prior to the fire?

16 A We have cell phones for the inn and I had one of
17 those and I think the contract was terminated in December of
18 '08.

19 Q What was the phone number for that phone?

20 A I don't know. It was the 4000 number.

21 Q Is that the phone that was through Alltel?

22 A No. That's through Verizon.

23 Q Had any guest in 2008 or 2009 complained as far as
24 you know that the quality of service and food at the Richmond
25 Hill Inn had decreased?

1 A Not that I'm aware of.

2 Q Sir, could you go to your proof of loss? And I'd
3 like you to go to whatever section it is that you think
4 accurately reflects the value of the antiques in the inn at the
5 time of the fire?

6 A There isn't a section that just lists the antiques.

7 Q Okay. And I'd like you to tell me what pages the
8 antiques appear on your proof of loss? And let's do this, Dr.
9 Gray, I'd like you to go through with a pink marker and
10 highlight every entry that relates to an antique of some kind?

11 MR. PAYNE: Can I make a suggestion?

12 MR. NELSON: Sure.

13 MR. PAYNE: Why don't we take a break while he's
14 doing that? It's several pages.

15 MR. NELSON: Yeah. It's going to take awhile.

16 MR. PAYNE: It may save us some time.

17 MR. NELSON: That's great.

18 (Thereupon, a recess is taken from 11:17 a.m. to
19 11:37 a.m.)

20 Q Dr. Gray, you just estimated that it was going to
21 take you approximately another two hours to go through this
22 process identifying what's an antique on your claim. We've
23 agreed that you're going to do that after today. What I'll do
24 is -- what page did you run through?

25 A I'm on 10024 and I just finished that one.

1 Q So you finished 24, okay. So you'll look at
2 everything after 24 and you'll make marks with that pink marker,
3 okay?

4 A Okay.

5 Q Do you regret purchasing the Richmond Hill Inn?

6 A Definitely.

7 Q When did you realize that it was a mistake?

8 A In October and November of '05.

9 Q Have you had any discussions with your wife and
10 family about whether or not it was a mistake to purchase this
11 inn?

12 MR. PAYNE: Well, let me advise him if you did that
13 would be under the spousal privilege and you're not obligated to
14 answer that question.

15 MR. NELSON: That's a fair point, Counsel.

16 MR. PAYNE: Cover yourself for malpractice.

17 Q I've seen the name Hoods in some of the documents.
18 Hoods -- are they related in any way to this ownership or the
19 potential selling of The Hammocks?

20 A I don't know who they are.

21 Q Did anyone ever suggest to you or did you ever
22 suggest to anyone that some kids may be involved in setting the
23 fire?

24 A No, I didn't.

25 Q Did you ever suggest to anyone or did anyone ever

1 suggest to you that someone may have been hired to set the fire?

2 A You know, I told your investigators and, you know,
3 the detectives that, you know, none of the people I thought
4 might have been behind it would have done it themselves and if
5 they were behind it they would've had to hire somebody.

6 Q So besides those comments, did you make any comments
7 to anyone else that -- Dr. Gray, let me finish the question.
8 Besides those comments you just alluded to, did you ever talk to
9 anyone else and suggest that someone else had been hired to set
10 the fire?

11 A No. Not that I'm aware of.

12 Q After the fire on March 24th there was a press
13 release issued by the Richmond Hill Inn. It's published in the
14 Citizen Times website. Did you have a hand in drafting that
15 press release?

16 A No.

17 Q Who drafted it?

18 A David Killoughby.

19 Q And who is David Killoughby?

20 A He is doing our marketing right now out of
21 Knoxville, Tennessee.

22 Q He's a marketing person retained by The Hammocks?

23 A Right.

24 Q Okay. How long had you used---

25 A We had never used him before.

1 Q Let me finish my question, sir. How long had you
2 used Mr. Willoughby [sic]?

3 A We never used him before.

4 Q Before the fire?

5 A No.

6 Q So you hired him at the time of the fire?

7 A Right.

8 Q Did you hire him specifically to issue this press
9 release?

10 A No.

11 Q Was that his first job?

12 A Probably.

13 Q Did he ask you any questions about what should be in
14 the press release?

15 A He sent it to me before he released it.

16 Q So you reviewed it before you released it?

17 A Yes.

18 Q There's a reference to executive officers, are those
19 the owners of The Hammocks?

20 A Right.

21 Q Which of the owners grew up in the Asheville area?

22 A My sister and myself. My sisters and myself.

23 Q You grew up in Asheville?

24 A Black Mountain. For various periods of time we had
25 a home there.

1 Q How old were you when you lived there? What years
2 of your childhood?

3 A From -- I first went there when I was four and
4 maintained a home there until the 1970s, I guess.

5 Q Did you make any changes to the press release before
6 it was released?

7 A I left it to him and my sister.

8 Q But you said you reviewed it?

9 A I did.

10 Q So did you make any changes to it?

11 A No.

12 Q So you approved it then?

13 A Yes.

14 Q When you say "your sister," are you talking about
15 Virginia?

16 A Yes.

17 Q Is she the one that hired Willoughby [sic]?

18 A Right.

19 Q Did you hire Willoughby [sic], I'm saying The
20 Hammocks now, at your sister's suggestion?

21 A Yes.

22 Q Why did your sister feel you needed to have a press
23 statement?

24 A Dan Killoughby felt we needed one. And I talked to
25 my sister and so I said fine anything. I had asked Susie

1 Zimmerman to release one and she'd never been able to pull one
2 together so.

3 Q When's the last time you talked to Mr. Sloggart
4 prior to the fire?

5 A When I took the quitclaim deeds down to him.

6 Q How about before that?

7 A I don't really remember.

8 Q You said he started hanging up the phone as soon as
9 he heard your voice, when did that start?

10 A Back in '07.

11 Q Would he respond to anything that you sent to him in
12 writing?

13 A Not normally.

14 Q Did you ever send anything to him in writing?

15 A I did. I faxed him paperwork and stuff to get his
16 comments or contracts that we were trying to negotiate just to
17 get his input. But again I had to go through the lawyers to get
18 him to respond to anything.

19 Q Where are all the documents that you faxed to him?

20 A I don't know. I don't have them.

21 Q You don't have them -- are you sure you looked
22 around?

23 A Yeah. I don't keep paperwork much. I don't have a
24 secretary.

25 Q Did you ever ask anybody employed by the Richmond

1 Hill Inn, The Hammocks, when you owned it to misstate anything
2 and mislead the Michels in any way, The Hammocks in any way?

3 A No. I've always been very upfront with the Michels.

4 Q So as far as you're concerned all your dealings with
5 the Michels have been honest?

6 A Right. Very much so the way things are.

7 Q You never misrepresented anything about gift
8 certificates and reports to the Michels about gift certificates?

9 A No. Money for gift certificates that were used back
10 in '07 from '06 through '08 and they refused to pay those.

11 Q But you never told anybody working at the Richmond
12 Hill Inn to misstate anything about those gift certificates?

13 A Absolutely not.

14 Q Did you ever tell anybody that your wife did not
15 want you to buy the inn originally?

16 A Probably.

17 Q Where is Iredell County?

18 A In North Carolina near Charlotte.

19 Q Do you own any property there or any of the
20 companies you're involved in with have property there?

21 A Yes. I own a home there. Two homes there and some
22 land.

23 Q Did you ever have any problems with the state such
24 that you couldn't sell property in Iredell County?

25 A No.

1 Q Did you ever tell anybody to stop sending Mr.
2 Sloggart reports relating to the performance of the Richmond
3 Hill Inn?

4 A No, I did not. I actually quit running the inn and
5 turned it over to him in February of '08. And we sent him
6 everything for a while and he never responded so I just stepped
7 back in.

8 MR. NELSON: Can you read back his last answer to
9 me, please?

10 THE COURT REPORTER: I actually quit running it and
11 turned it over in February of '08. And quit sending him
12 everything back then.

13 Q When did you quit running the inn?

14 A In February of '08 I turned it over to him and told
15 everybody to send everything to him instead of coming to me with
16 the problems.

17 Q Did he agree to accept responsibility---

18 A No.

19 Q ---for running the inn?

20 A He never responded so.

21 Q Did you send him a note that he was now in charge of
22 running the inn?

23 A The staff did.

24 Q So you quit and he didn't accept responsibility for
25 running the inn, who then ran the inn?

1 A The staff did for a little while then I stepped back
2 in.

3 Q When did you step back in?

4 A I don't know. April or May. I continued to work on
5 the sales that we were working on and dealing with the lawyers
6 on various things but the running of the inn the staff took care
7 of and communicated directly to him on.

8 Q Was he communicating with them?

9 A No. He wouldn't respond to their e-mails or calls.

10 Q Why did you decide you were going to quit running
11 the inn in February of '08?

12 A Because I couldn't get any response from him on
13 anything that I needed to clarify with him that if he agreed
14 with or didn't agree with.

15 Q Did you ever ask any of your employees at the
16 Richmond Hill Inn to take pay cuts?

17 A When we first found out about the pay raises I did.

18 Q The only people that you asked to take pay cuts then
19 were related to the folks that got pay raises from Mr. Holland?

20 A Yes.

21 Q Did the attire rules change at the inn? At one
22 point I think it was coat and tie?

23 A For dining, yes, we did start allowing a little more
24 casual.

25 Q Why was that done?

1 A Because most people who went out preferred casual
2 dining.

3 Q Was that because business was dropping off and you
4 were trying to make more people---

5 A Comfortable.

6 Q ---comfortable and come to the inn?

7 A Yes.

8 Q Did you ever say to anybody at any point after you
9 took ownership of the Richmond Hill Inn that you would drive the
10 place into the ground before you would give it back to the
11 Michels?

12 A No, I did not.

13 Q Did you ever instruct anybody to cut back on the
14 quality of food at the inn?

15 A With one of the chefs we discussed ways of cutting
16 the food cost and he said he could produce the same food with
17 less expensive cuts of meat.

18 Q Beside cuts of meat was anything else in the quality
19 of the food downgraded?

20 A No. Not that I'm aware of.

21 Q Who was the chef?

22 A That was Perry. That was his suggestion not mine.

23 Q Did you ever tell anybody associated with the inn
24 that you were bipolar?

25 A Absolutely not.

1 Q Did you ever tell anybody associated with the inn
2 that you wanted to use the 30 or so children that you had some
3 relationship with to work at the inn?

4 A No.

5 Q At some point during your time at the Richmond Hill
6 Inn did you ever instruct the staff to stop using the guest
7 cards because they were coming back with negative comments?

8 A No, I did not.

9 Q Did you change the decor in the mansion?

10 A Yes to some degree.

11 Q You changed it to more of an oriental flair?

12 A We put more oriental things in it.

13 Q Were they high-quality oriental furnishings?

14 A Yes.

15 Q At any point did the Michels offer to take the inn
16 back from you?

17 A One time in '05 Mrs. Michels said "We might buy the
18 inn back or take it back." But she never presented a proposal
19 or anything.

20 Q Did you ever refuse to give it back to her?

21 A To give it back to her.

22 Q Yeah. When they made that proposal you said "No,
23 I'm not interested in that"?

24 A No, I didn't say that. I would've gladly sold it
25 back to them.

1 Q Did you ever tell them that?

2 A I told them that, you know, let's talk about it or
3 give me an offer. Something along that line. I don't remember.
4 That was a long time ago.

5 Q Did there ever come a time when you had to pay cash
6 on delivery for the wine supplies?

7 A You always have to pay cash on delivery for the wine
8 supplies.

9 Q So at the time you took over the inn you had to pay
10 COD for the wine?

11 A As far as I know. It was a state law.

12 Q Why did you terminate the security guards?

13 A Security--- Say that again?

14 Q At one point -- strike that.

15 At one point wasn't the Richmond Hill Inn using an
16 outside service to provide security?

17 A Not that I'm aware of. And never while I owned it.

18 Q I think yesterday you testified that you were always
19 on time with your interest payments to the Michels. Is that
20 correct?

21 A We paid them within a week or two of when they were
22 due, yeah.

23 Q You were never behind more than a month in paying
24 them?

25 A Never behind that long.

1 Q We're talking about the debt service?

2 A Right.

3 Q Did you ever threaten to sue a financial institution
4 because they wouldn't give you construction funding for any of
5 your projects?

6 A I went to a lawyer in Charlotte to talk to them
7 about---

8 MR. PAYNE: Wait just a minute. Now, you're getting
9 into the topic of law. Now, I want you to answer his question.
10 His question was, did you ever threaten to sue a financial
11 institution?

12 A No. No.

13 Q Did you ever consult with a lawyer about suing a
14 financial institution?

15 A Yes.

16 Q Who was the lawyer?

17 A It was I think Woods Bassett. I don't remember
18 their names.

19 Q What financial institution?

20 A It was a construction loan on the assisted living.

21 Q Did the bank change its position with funding the
22 construction of the assisted living?

23 A Right.

24 Q Why did it do it?

25 A Because they were cost overruns due to state

1 regulations and they had indicated they would, you know,
2 continue to fund it and then they just quit.

3 Q Did it have anything to do with your financial
4 standing?

5 A I don't know. They never said that. They just said
6 they weren't going to do anymore.

7 Q Had they already committed to funding the
8 construction?

9 A They committed to a certain amount on it.

10 Q And they backed away from that commitment?

11 A No. They fulfilled that part of it but then when we
12 needed more to finish the project they wouldn't do it.

13 Q So why did you think it was inappropriate on their
14 part to not give you more funding?

15 A Because their agents had told me they would.

16 Q The agents for the bank?

17 A Uh-huh.

18 Q Is that a yes?

19 A The loan officer said they would continue to give me
20 more money if we needed it.

21 Q Was that a verbal commitment?

22 A Yes.

23 Q Who were the agents?

24 A I don't remember their names.

25 Q Dr. Gray, the personal financial statement you

1 prepared in April of 2009 that was after the bankruptcy,
2 correct?

3 A Yes.

4 Q Why was that prepared?

5 A Because you sent me a letter wanting something. I
6 thought I was supposed to supply that.

7 Q So you created a personal financial statement in
8 April of 2009?

9 A Right.

10 Q Solely for the insurance claim?

11 A Right.

12 Q It had nothing to do with requesting financing?

13 A No.

14 Q The personal financial statements you've provided,
15 the five that we looked at, did any of those -- were any of
16 those provided to banks supporting any request for personal
17 loans for you?

18 A No.

19 MR. PAYNE: Let him finish.

20 Q Were any of those personal financial statements
21 prepared for support of any ongoing loans or new loans for you
22 and/or Mrs. Gray?

23 MR. PAYNE: You're asking about individual or joint
24 loans?

25 MR. NELSON: Yeah. Personal in nature as opposed to

1 business loans?

2 A The house in Charleston. The note needed to be
3 renewed so that was done last year so I would assume one of them
4 was prepared for that.

5 Q Okay. How much did you purchase the home in
6 Charleston for?

7 A I don't remember. It was 10 years ago or more.

8 Q Do you still own the house in Charleston?

9 A My sister and I do.

10 Q Which sister?

11 A Virginia.

12 Q You and your sister own a house in Charleston?

13 A (Witness nods head yes.)

14 Q Is it for your benefit or her benefit?

15 A Neither one. We were using it as our business
16 headquarters when we were working down there.

17 Q What do you use it for now?

18 A We let people use it. We don't have time to go down
19 there.

20 Q So it's not used for business and you don't use it?

21 A No.

22 Q But you still own it?

23 A I'm trying to sell it.

24 Q How long have you been trying to sell it for?

25 A Since we bought the inn up here so three and a half

1 years.

2 Q Okay. In the last five years have you asked for any
3 -- have you supplied any loan applications or requests for
4 financing from any financial institution?

5 A For business or?

6 Q You personally or you and your wife or your wife?

7 A We refinanced the house that we live in Mooresville
8 several years ago.

9 Q Besides that loan?

10 A No.

11 Q Okay. So have you in the last five years been
12 refused any financing by any mortgage institution, money
13 institution, credit card company?

14 A Personally?

15 Q Personally?

16 A No.

17 Q So Dr. Gray, the personal financial statements the
18 most recent one is 20d, Exhibit 20d. Do you need to look at it?

19 A Yes.

20 Q So this personal financial statement was prepared
21 for the benefit of your insurance claim?

22 A Yes.

23 Q This was prepared in response to the documents
24 requested as part of the examination under oath process?

25 A Yes.

1 MR. NELSON: Dr. Gray, there's a very likely chance
2 that we're going to have to continue your questioning onto
3 another day. Harleysville's been provided with some recent
4 documents yesterday and we've learned about the existence of
5 other documents that might exist that might be germane to the
6 document request by Harleysville. In addition, it doesn't
7 appear that the Harleysville document requests was presented to
8 other members of The Hammocks, LLC such as Mr. Sloggart or
9 either of your sisters or that your attorneys or accountants
10 were asked for certain of these documents. So it's very likely
11 that additional documents will be provided to Harleysville. So
12 Harleysville is going to at this point reserve the right to ask
13 you to submit to further examination under oath and also this is
14 something that Attorney Payne and I talked about before it may
15 be necessary for Harleysville to question other members of The
16 Hammocks, LLC such as your sisters or Mr. Sloggart.

17 At this point we're going to close the record and
18 ask Attorney Payne if he has any questions for you or if you
19 want to say anything.

20 MR. PAYNE: I don't have any questions. Just a
21 couple of things that I do want to and I don't know if we need
22 to put it on record or not. In his going through Exhibit 2 the
23 proof of loss for the antiques in response to your question
24 regarding antiques, can we have an agreement that the marked
25 Exhibit 2 can remain here and what I was going to ask him to do

1 was that if he could grab a bite of lunch and just come back up
2 here and get that finished and then I could keep it here in the
3 office.

4 MR. NELSON: Yeah. If you could send---

5 MR. PAYNE: Is that agreeable with you?

6 MR. NELSON: That's agreeable to me. If you could
7 send me a color copy so I can see what's pink, okay?

8 MR. PAYNE: What I'll do is just send you the
9 original, if that's okay? And I'll just retain a copy.

10 MR. NELSON: That's great. Yeah. I need an
11 original signature on the document. Dr. Gray, there's also a
12 transcript that's going to be generated out of this examination
13 under oath process. And I'm going to ask you to review the
14 transcript and then sign it. Okay?

15 THE WITNESS: Okay.

16 MR. NELSON: It's very important that a timely --
17 you return it back to me in a timely fashion. Seven days would
18 be appropriate. Are you okay with that?

19 THE WITNESS: As far as I know.

20

21 (Thereupon, the Examination Under Oath recessed at
22 12:10 p.m. to be completed at a later date and time.)

23

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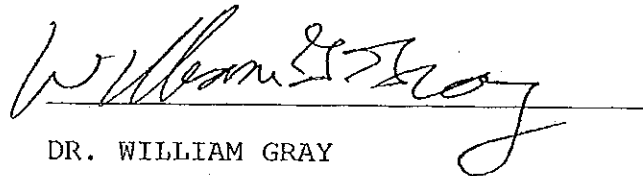
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WITNESS CERTIFICATION

I, DR. WILLIAM GRAY, hereby certify,

That, I have read and examined the contents of the foregoing 85 pages of record of testimony of Volume II as given by me at the time and place herein aforementioned;

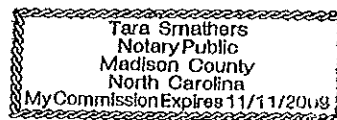
And that to the best of my knowledge and belief, the foregoing 85 pages are a complete and accurate record of all of the testimony given by me at said time, except as to where noted on the attached errata addenda.


DR. WILLIAM GRAY

Sworn to and subscribed before me,
this the 22nd day
of July, 2009.



Notary Public



My Commission Expires: 11-11-09

1 STATE OF NORTH CAROLINA

CERTIFICATE

2 COUNTY OF DAVIE

3 I, DEBORAH O. EMERT, CVR, Verbatim Court Reporter
4 and a Notary Public in and for the County of Davie, State of
5 North Carolina, do hereby certify;

6 That there appeared before me the foregoing witness
7 at the time and place herein aforementioned; that the foregoing
8 pages 1 through 85, inclusive, constitute a true and correct
9 transcription of the proceedings.

10 I do further certify that the persons were present
11 as stated in the appearances.

12 I do further certify that I am not of counsel for,
13 or in the employment of, either of the parties in this action,
14 nor am I interested in the results of this action.

15 IN WITNESS WHEREOF, I have set my hand on this the
16 25 day of June 2009.

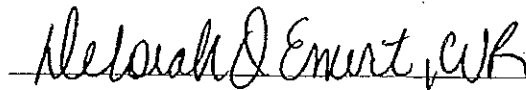
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Deborah O. Emert, CVR

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Davie County, North Carolina

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Notary Number: 19950950039

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